

Preface

We are pleased to present the Tenth Edition of *International Business: The Challenge of Global Competition*.

Purpose and Scope of This Text

Whether students are advanced undergraduates or are in MBA programs, an international business course is an ideal venue for a varied number of questions. Our hope is that this book will answer these questions about business in different cultures, about the impact of geography, about why products are the same (or different) across cultures, why people have different practices, the effect of the Internet on international business, and many, many more. There are always new questions, and sometimes there are new answers to old questions.

International Business 10/e is organized into four sections in order to maximize its utility to instructors and students alike. The opening section defines the nature of international business and the three environments in which it is conducted. Section two is devoted to the continuing importance of international organizations and the international monetary system and how both affect business. Section three focuses on the uncontrollable forces at work in all business environments and discusses their inevitable impact on business practice. We devote the final section of the book to a discussion of how managers deal with all the forces affecting international business. In the tenth edition, we have continued section opening dialogues to help students better understand what they have learned and are about to learn.

Changes for the Tenth Edition

With each new edition we have been blessed by an expanding network of those making helpful suggestions. Professors, reviewers, and business professionals who bought the book or received it at a conference and our own graduate and undergraduate students have made useful and constructive comments. We believe that *International Business 10/e* continues to offer you a solid and superior text infused with current topics relevant to current challenges. We have updated the material in each chapter to reflect recent world events and new international business issues.

As with every new edition, tables, figures, and graphs have been updated to include the most current data available as of the publication of this text. Keeping an international business text topical and current is a challenge, and we have worked hard to provide you with the most recent information possible. We have also updated examples where relevant and replaced dated examples where appropriate. We have added a new chapter on market entry modes (Chapter 15) and given topics more focus by dividing the old Chapter 14 on strategy and organizational design into two chapters: Chapter 13 on strategy and Chapter 18 on organizational design and control.

Chapter 1 The Rapid Change of International Business

There is a new Worldview box on buying American; new definitions and discussion of foreign direct investment and exporting; discussion of international companies; a second new Worldview on the debate on globalization of trade and investment; new end-of-chapter questions; and an updated section on international careers with new profiles of students working in international business.

Chapter 2 International Trade and Foreign Direct Investment

This is a shorter, more focused chapter with an updated introduction and discussion of trade in goods and services. There is an enhanced discussion of foreign direct investment to enhance readability and a new Worldview box on foreign direct investment flows to Africa. This

chapter no longer discusses distribution channels and entry modes (which is now in new Chapter 15 on entry modes). The chapter also has new end-of-chapter questions and a new Minicase on a Mexican company trying to remain competitive in the face of emerging low-cost competition from China.

Chapter 3 Theories of International Trade and Investment

In Chapter 3 we have updated the discussion of economic theories of international business and provided new examples, added a new section on technology life cycles, and reorganized the content to improve readability. A new Worldview appears on comparative advantage and offshoring of service jobs to India, along with enhanced discussion of trade restrictions, with new examples and discussion of sanctions. A new Worldview appears on protectionism and the U.S. steel industry, and there is an expanded discussion and new examples on nontariff barriers to trade, as well as a new Worldview on subsidies to the sugar industry and new end of chapter questions.

Chapter 4 The Dynamics of International Institutions

Chapter 4's detailed coverage of international institutions includes updated views of the United Nations, the World Trade Organization, the European Union, the North American Free Trade Agreement, and the Organization for Economic Cooperation and Development. Mercosur and the African Union, along with other regional integration agreements, are part of the expanded discussion as well. Coverage of OPEC is expanded. The chapter addresses the significance of these organizations for international business and the impacts of their actions on developing nations.

Chapter 5 Understanding the International Monetary System

We note that a new study by the Federal Reserve Bank of St. Louis concludes that the McDonald's Big Mac burgeronomics illustration of purchasing power parity (PPP) is as accurate as more sophisticated methods. As another measure of PPP, *The Economist* has added a Starbucks "tall latte index." Starbucks operates in about 32 countries. We discuss the implications of the fact that the PRC has begun permitting individual Chinese to buy and hold gold. We also note that the rising price of gold may ultimately be inflationary.

Chapter 6 Sociocultural Forces

Chapter 6 now covers the critical area of culture. We continue to try to shorten this chapter without sacrificing coverage. The section on religion and the discussion of differing perceptions of time have been shortened and reorganized to add clarity. The Disney case has been updated, with commentary on the continuing saga of Disney's two Chinese parks in Shanghai and Hong Kong.

Chapter 7 Natural Resources and Environmental Sustainability

This chapter is updated and expanded to include the increasingly important areas of environmental sustainability and sustainable business. Also new to the chapter is the use of Porter's Diamond as a way to understand national advantage related to geographical attributes. Alternative energy sources such as fuel cells are discussed, as is the Ixtoc 1 well blowout. European progress in environmentally sustainability is reviewed, and Patagonia's business practices are discussed.

Chapter 8 Economic and Socioeconomic Forces

Chapter 8 (Chapter 7 in the previous edition) on economic and socioeconomic forces opens with a reflection of the reality of India's middle class—increasingly well-to-do and with a penchant for "getting ahead." This chapter now appears after, rather than before, the discussion of culture in Chapter 6.

Chapter 9 Political Forces

In the chapter on political forces we have updated various political developments that have affected the international business environment. The increase in privatization of government-owned businesses, especially in Africa, is discussed. We note how reactions to terrorism have introduced changes—for example, in Mexico top crime officials are protected from kidnapping by inserting a chip in their arms so their locations can be determined at any time. In 2004 the U.K. introduced a compulsory ID card that will use biometric technologies such as facial characteristics, iris pattern, and fingerprints. We note how President Mugabe's policies and

practices have impoverished Zimbabwe, which had been a relatively rich and self-sufficient country, once an exporter of food.

Chapter 10 Legal Forces

Chapter 10's new materials include treatment of patent law, an in-depth review of the Foreign Corrupt Practices Act, and a review of the impact of the Sarbanes-Oxley Act on accounting practices at the international level. Examples are updated, as well.

Chapter 11 Financial Forces

Chapter 11 covers the rapidly changing and largely uncontrollable financial forces that are important to international business people. The discussions on currency values, foreign exchange, and the debt of developing nations reflect current conditions. The chapter also examines Islamic banking.

Chapter 12 Labor Forces

Labor is a critical element of all business. Labor's role in international business has become increasingly salient as a consequence of globalization and outsourcing. This chapter is updated to reflect current labor issues in the areas of immigration, which is now the responsibility of the Department of Homeland Security's U.S. Citizen and Immigration Services; population migration and mobility; the impact of refugees; unions; and race and gender. To tighten our focus, selected material on labor which formerly appeared in the chapter on culture has been moved here.

Chapter 13 International Competitive Strategy

Chapter 13 introduces Section four on the organizational environment. We have refined this chapter to focus on international strategy by moving discussion of organizational design and control to new Chapter 18. In Chapter 13 there is an updated introduction to the concept of international competitive strategy; enhanced discussion of global, multidomestic, and transnational strategies; and expanded discussion of scenario planning. There is a new section on the analysis of competitive forces, competitor assessment, and information sources for environmental analysis; a new box on international business challenges/ethical considerations regarding industrial espionage; and a new section on competitive benchmarking. Also there are new end-of-chapter questions and an enhanced Minicase on Wal-Mart and its internationalization strategy

Chapter 14 Assessing and Analyzing Markets

Chapter 14 is now the chapter on assessing and analyzing markets. We continue to clarify the difference between country and segment screening. We continue our coverage—perhaps the most detailed anywhere—of the methods used in doing market research abroad.

Chapter 15 Market Entry Modes

This new chapter on entry modes provides an expanded treatment of the critical topic of how businesses make decisions about the best way to enter foreign markets. This topic, which was formerly covered in a section of Chapter 2 and in the marketing chapter, is now consolidated and highlighted. Students will find the coverage of piracy—both on the high seas and via the Internet—particularly interesting.

Chapter 16 Export and Import Practices

In this chapter on exporting and importing we have continued to expand our emphasis on services as well as tangible products. The use of the Internet as a source of product information for prescription drugs is discussed. We have shortened the chapter slightly by eliminating some detail on paperwork procedures, while updating the discussion to reflect recent changes in procedures as a result of increased security concerns.

Chapter 17 Marketing Internationally

The international marketing chapter continues to emphasize the standardization–adaptation dilemma. Interesting globalEDGE™ exercises on global brands and pricing have also been added.

Chapter 18 Organizational Design and Control

Chapter 18 is a new chapter focusing on organizational design and control, consolidating these important topics, which were dispersed in previous editions of the text. There is a new chapter opener on Kraft Foods and its global reorganization; a new overview discussion of the topics of organizational structure and design; and new examples of different organizational structures for international companies. The boxes featuring ACT Manufacturing and Topsy Turvy are updated. There are new end-of-chapter questions and an updated Minicase on Electrex and international design issues.

Chapter 19 Human Resource Management

Chapter 19 is now the chapter on HRM issues. The chapter has been reorganized to enhance both content and flow. There is an updated and expanded discussion of labor conditions, especially relating to the growing role of women in international business and issues associated with immigrant and child labor, and of the labor situation in China. The staffing and selection sections contain new examples. There is a new section on the global mind-set of the international human resource management approach, how the international HRM approach links strategy, selection, and training. There is a new Worldview box on best practices for expatriate assignments; new end-of-chapter questions; and a new Minicase on Delta Airlines and the outsourcing of customer services to India.

Chapter 20 Financial Management

We update the status of the euro as the official currency for the EMU, along with the fate of legacy currencies. We discuss the wide fluctuations in the value of the euro, from \$1.17 at its introduction in 1999, down to 79 cents, and up to \$1.30; the protection available in the forward, futures, options, and credit markets against shorter-term and longer-term translation risk; the increased investment in currencies as an effect of the turmoil in the stock and bond markets; and the complexity of derivatives and the use of international finance centers to manage these products.

Chapter 21 Global Operations and Supply Chain Management

Chapter 21 has a new focus on global supply chain management, with a new chapter opener on the Spanish fashion company Zara and a new section on the design of products and services. A new Worldview on outsourcing and Johnson Controls appears, along with an updated mini MNE box on Cognizant Technologies. There is an updated discussion of global e-procurement and a transformed section on advanced production techniques, including new examples. There is new material on mass customization, Six Sigma, and international logistics, and there are new end-of-chapter questions.

Glossary

The Glossary does more than just rehash the margin key terms in the book. It is a very extensive collection of definitions of documents, institutions, concepts, and terms used in international business. The Glossary is an extremely valuable resource for students and instructors.

New Features

With the tenth edition we introduce globalEDGE™ Research Tasks, created by Tunga Kiyak and Tomas Hult of the CIBER Center at Michigan State. These end-of-chapter exercises challenge students to solve problems similar to those faced by practicing international business managers and acquaint students with the tools and data real managers use. The globalEDGE™ Research Tasks are ideal for Web-based courses. For example, in working on a product launch, students may be asked to compile a list of the top 10 countries in terms of their attractiveness for potential return of FDI. Students can access all of the Internet resources needed to solve the problems at www.globaledge.msu.edu.

A new video collection features original business documentaries as well as PBS and NBC news footage that ties into cases in the text. Featured titles include “Starbucks: Building Relationships with Coffee Growers,” “BP: Creating a Global Brand,” “Steel Tariffs

Ended,” and “The Russian Economy,” to name just a few. Videos correspond to the Video Cases (with discussion questions) found at the end of the book.

Other Useful Elements

- Mini MNE boxes discuss smaller-sized businesses and how they function and compete in the global business world.
- The Relevance for Managers icon in the text discussion indicates a link to real-world experiences of international business managers.
- Worldview boxes highlight real-world applications of key concepts to help students relate the material they are learning to their own business careers.
- An extensive set of maps (listed on page xxix) throughout the text gives students important geographical perspectives.
- End-of-chapter tools include Summaries, Keywords, Questions, the globalEDGE™ Research Tasks, and Minicases to further help students in their comprehension.

CESIM: Global Challenge Simulation

This online simulation involving international markets for cell phones is packaged with new copies of the text. There are three market areas (North America, Europe, and Asia). The simulation presents a range of features that could be offered (impacting product differentiation), a choice of production sites (within Asia or in North America), price options, and exposure to exchange rate fluctuations. It can be used with 3 to 12 teams (6 to 50 students per simulation) and can involve teams from more than one class or university if desired.